

Valuation Process

Office of Appraisal Services



What is the Buy-Back Program?

- The Land Buy-Back Program for Tribal Nations is a collaborative effort – involving the Department of the Interior, tribes, and individual landowners - to reduce the number of fractional interests in tracts of trust or restricted Indian land. Fractionated tracts are defined as any tract with more than one landowner.
- The Buy-Back Program was created to implement the Indian land consolidation component of the Cobell Settlement, which provided a \$1.9 billion fund to purchase, for a 10 year period, fractional interests from willing sellers at fair market value. Purchased interests will remain in trust, but ownership will be transferred to the tribe with jurisdiction over the land.
- Interior has identified more than 2.9 million fractional interests on approximately 150 reservations that are purchasable by the Buy-Back Program. Nearly 90% of these purchasable interests are located within 40 of the 150 reservations.
- Participation in the Buy-Back Program is strictly voluntary.



Land Valuation

There are four phases of the Buy-Back Program at each reservation:



Land Valuation is the process that determines the fair market value of tracts where the Department of the Interior (DOI) will offer to buy fractional interests.

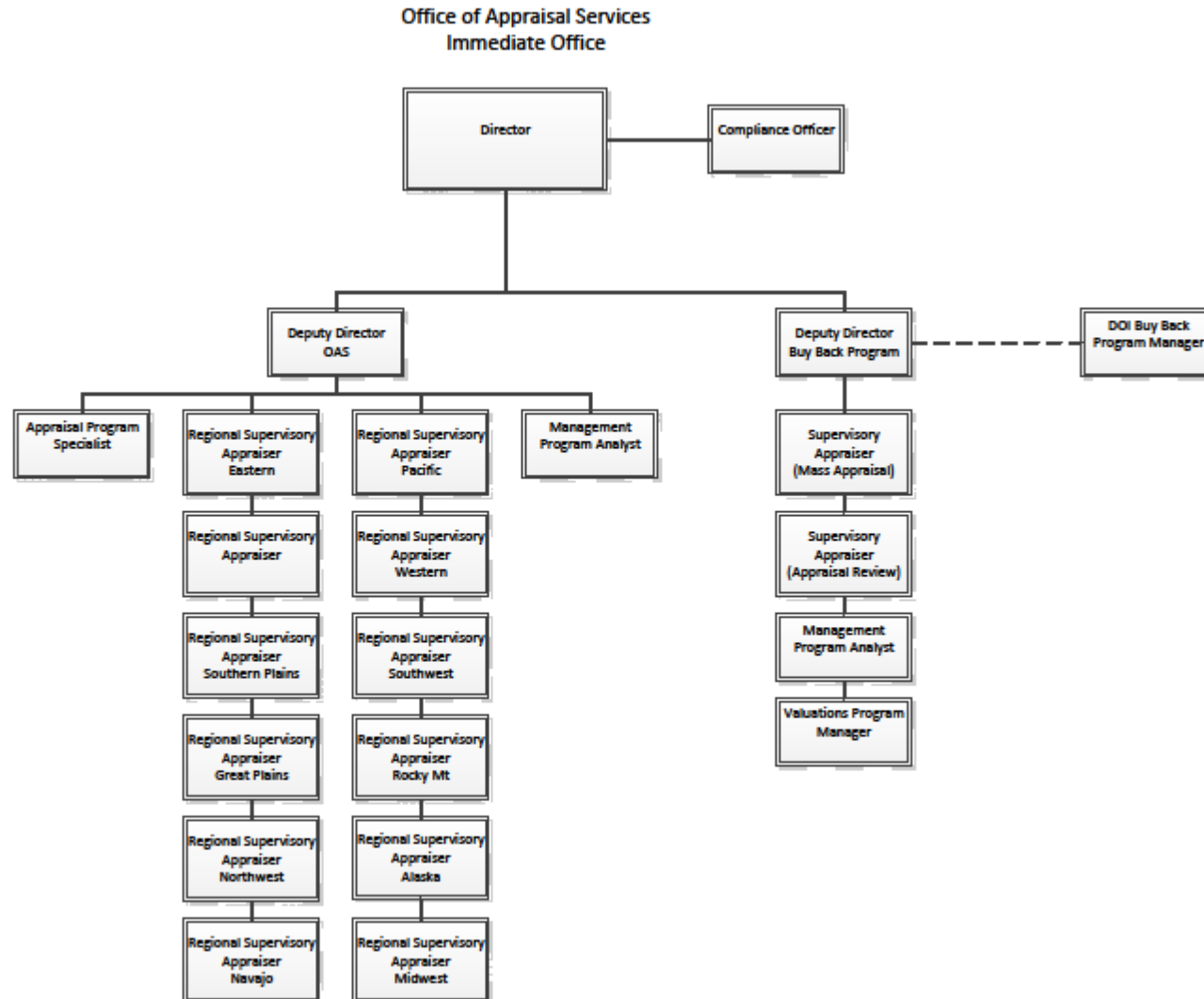
Land Valuation

What is Appraising?



- What is Appraisal Services?
- Why do you need an appraisal?
- Who is responsible for Land Valuations?
- What qualifies an appraiser to estimate a value?
- What is the process/steps in an appraisal?
- What are the different approaches to arriving at a value?
- What are the different types of appraisal reports?
- What is the Buy-Back Program appraisal process?

OST/OAS ORGANIZATION FLOW CHART



Office of Appraisal Services



- The term appraisal services covers a variety of different types of assignments, including valuation, consulting, and review.
- Appraisals are used to provide impartial estimates of value.
- An appraisal is required to provide the beneficiary and DOI with information on value of the land to support trust land transactions.

The Need for an Appraisal



- Purchase, sale or exchange of property
- The owner wants to lease the property
- The probate judge needs a value as of the date of an owner's passing
- Several heirs want their own piece of land and are partitioning the property
- Someone is using the land without the owner's permission (trespass)

The Need for an Appraisal (continued)



- The electric company wants to run a power line across the land (right-of-way easement)
- A Tribe would like to exchange a property with a landowner for another piece of property (land exchange)

Who is Responsible for Land Valuation?



- The Office of the Special Trustee for American Indians (**OST**), Office of Appraisal Services (**OAS**) will be responsible for appraising tracts of land and incorporating any contributory value from timber and mineral estates.
- The Office of Mineral Evaluations (**OME**) will be responsible for the valuation of mineral interests.
- BIA and “638” Compacting/Contracting Tribes are responsible for providing timber values.
- All appraisal methods used by DOI will conform to the Uniform Standards of Professional Appraisal Practice (**USPAP**).
- To ensure a credible and robust valuation process, DOI worked with the non-profit The Appraisal Foundation (**TAF**) to obtain an independent review of DOI’s methods.
- Land Valuation will rely heavily on mass appraisal valuation techniques.

What Qualifies an Appraiser to estimate value?



- **Federal Appraiser**
- General Certified Appraiser
- The following are appraisal guidelines not qualification standards:
 - USPAP Requirements
 - “The Yellow Book”
 - 49 CFR Part 24
 - 25 CFR – Indians
 - USDOJ and OST Appraisal Policy Manuals and policy directives

What is the process/steps in an appraisal?



The Valuation Process						
STEP 1 Identification of the Problem						
Identify client and intended users	Identify the intended use	Identify the purpose of the assignment (type of value)	Identify the effective date of the opinion	Identify the relevant characteristics of the property	Assignment conditions	
					Extraordinary Assumptions	Hypothetical Conditions
STEP 2 Scope of Work Determination						
STEP 3 Data Collection and Property Description						
Market Area Data General characteristics of region, city, and neighborhood		Subject Property Data Subject characteristics of land use and improvements, personal property, business assets, etc.		Comparable Property Data Sales, listings, offerings vacancies, cost and depreciation, income and expenses, capitalization rates, etc.		
STEP 4 Data Analysis						
Market Analysis Demand studies Supply studies Marketability studies				Highest and Best Use Analysis Site as though vacant Ideal improvement Property as improved		
STEP 5 Site Value Opinion						
STEP 6 Application of the Approaches to Value						
Sales Comparison		Cost		Income Capitalization		
STEP 7 Reconciliation of Value Indications and Final Opinion of Value						
STEP 8 Report of Defined Value						

What are the different approaches to arriving to a value?



- Sales Comparison Approach

This approach bases its opinion of value on what similar properties (otherwise known as “comparables” or “comps”) in the vicinity have sold for recently

- Cost Approach

This approach seeks to determine how much a property would cost to replace (i.e., rebuild) after subtracting accrued depreciation.

- Income Approach

When a property generates income for its owner, that income (or potential for income) helps to substantiate, calculate or identify the market value of the property.

What are the different types of Appraisal Reports?

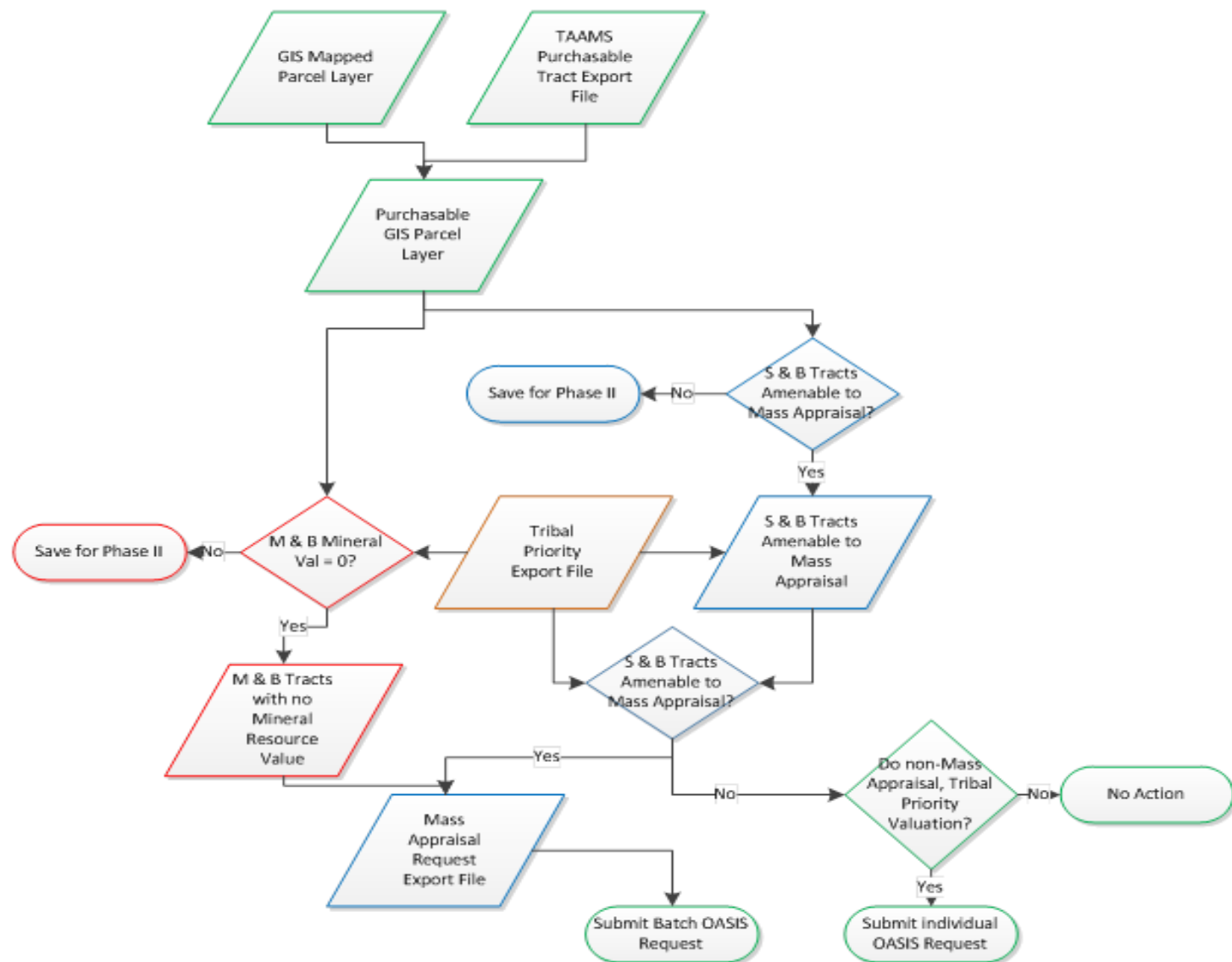
The following are appraisals:

- Mass Appraisal using multiple regression Automated Valuation Model (AVM)
- Mass Appraisal using paired sales (Market Study)

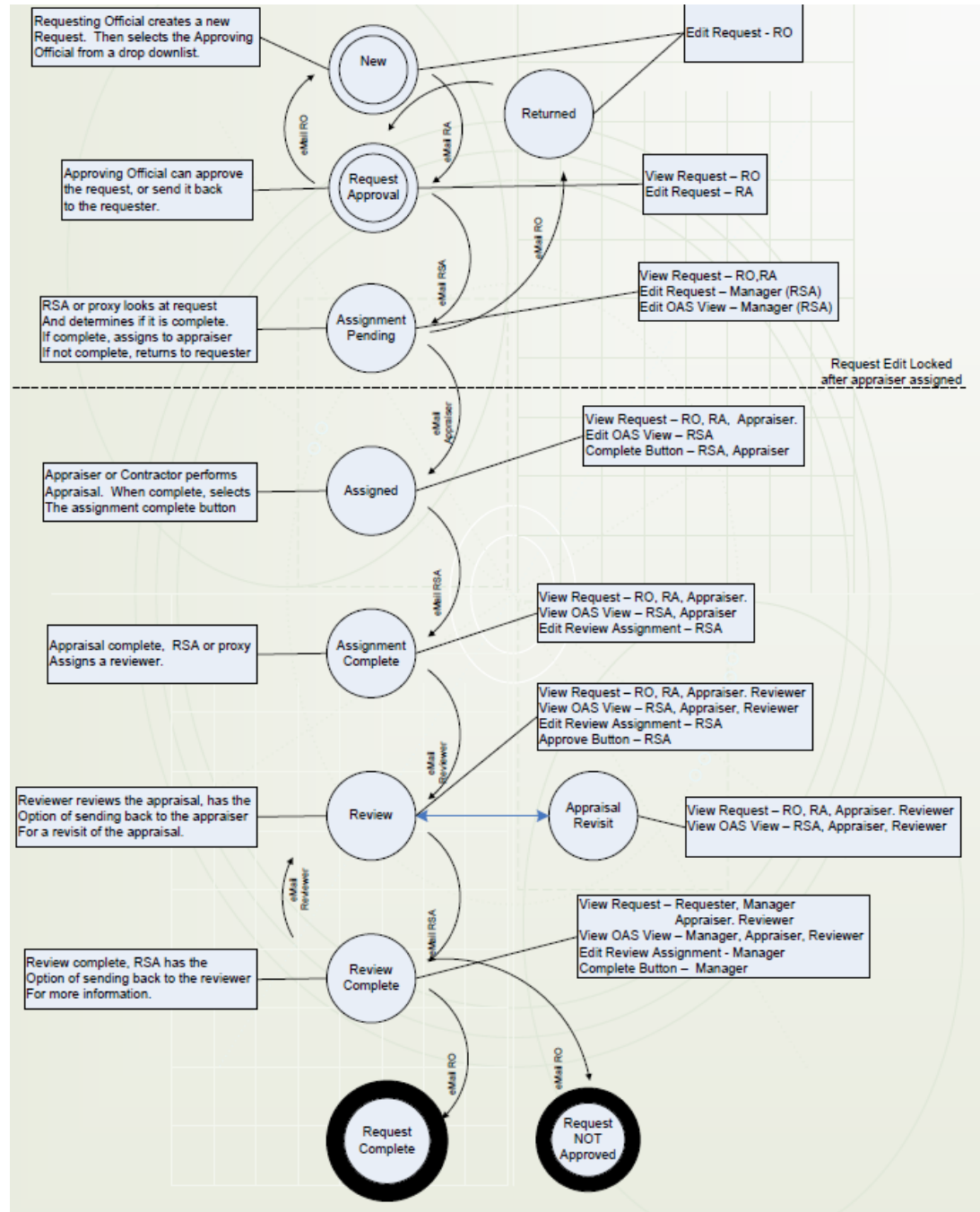
The following are types of appraisal reports:

- Project Appraisal Report – Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA)
- Uniform Standards for Professional Appraisal Practice (USPAP) compliant appraisals developed under Standard 1 & reported under Standard 2 Reports:
 - Self Contained, Summary, Restricted Use

What is the Buy-Back Program Appraisal Process?



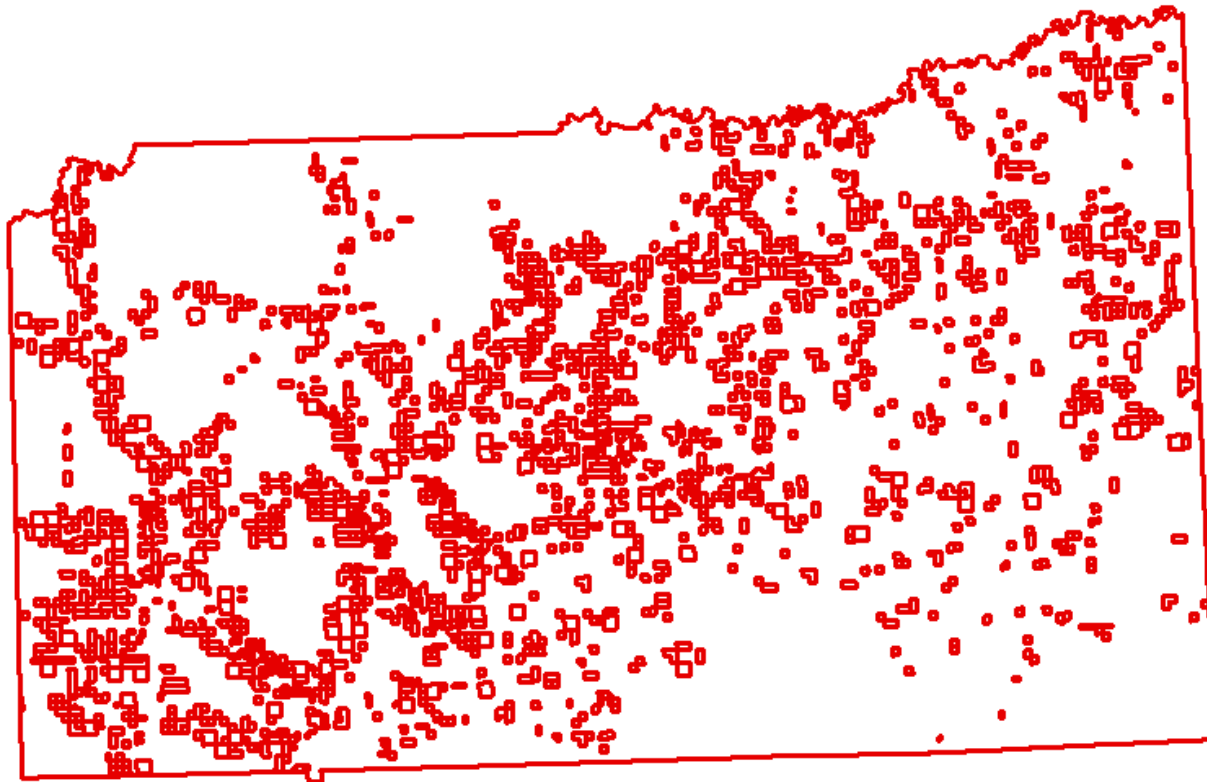
Office of Appraisal Services Information System Process Flow



Example of Mass Appraisal Tracts

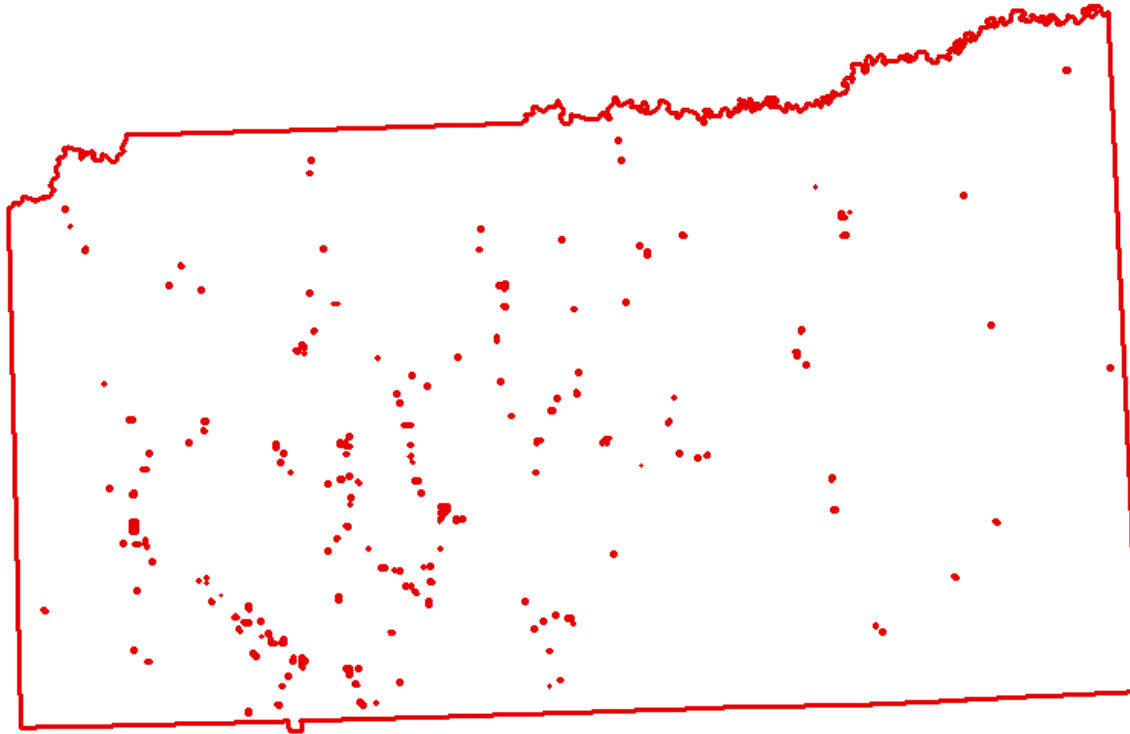


1,784 Mass Appraisal Tracts



Example of Tracts for Site Specific Appraisals

205 Non-Mass Appraisal Tracts



Types of Appraisal Development and Reporting



- **Mass Appraisals**
- **Site Specific Appraisals**

Types of Appraisal Development and Reporting



Mass Appraisals

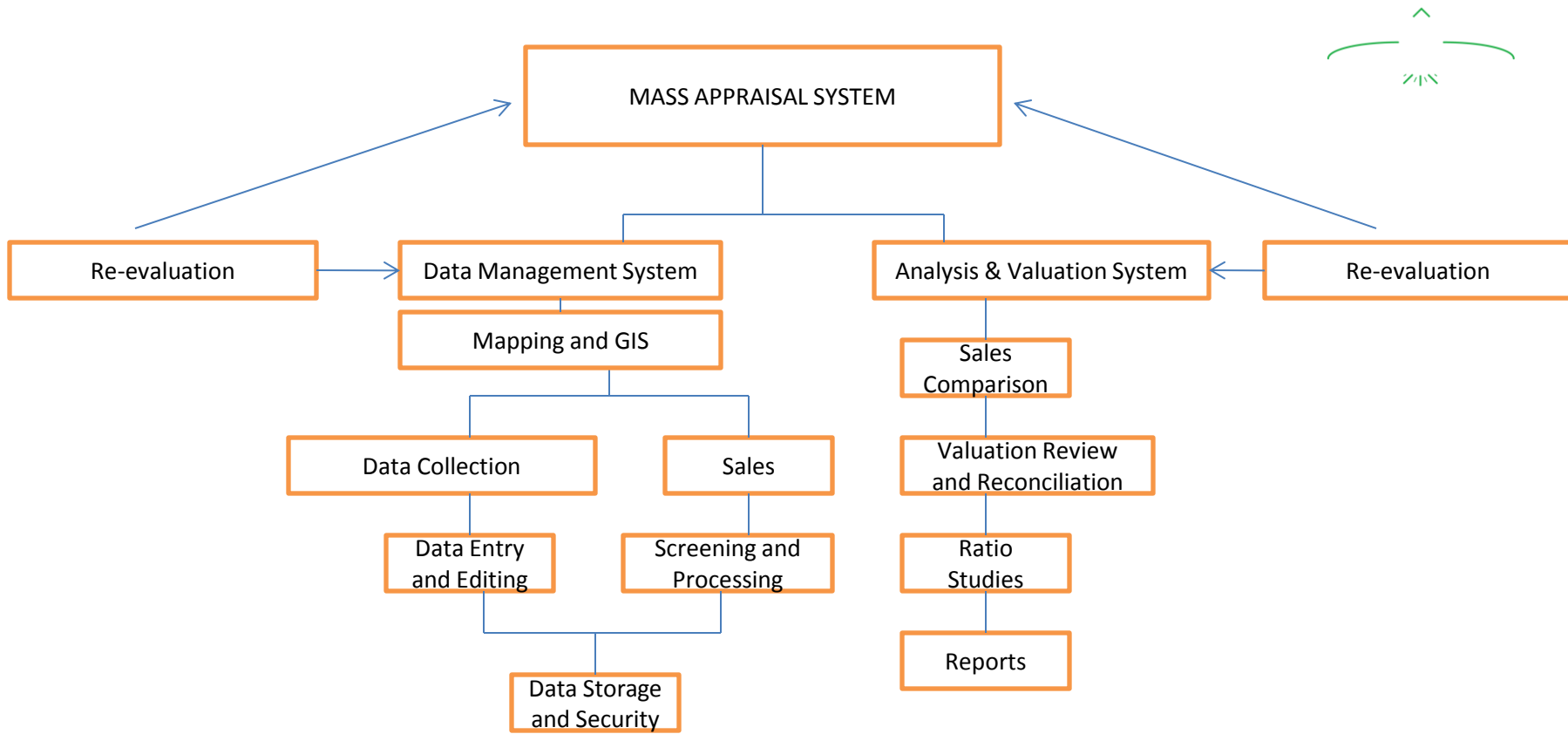
- Mass appraisal process of valuing a universe of properties as of a given date using standard methodology, employing common data and allowing for statistical testing.
- In many highly fractionated areas, it is common to have agricultural properties that are similar in use and have active/consistent markets or comparable sales data that DOI can use in its appraisals.
- Appropriate Use:
 - Homogenous, non-complex, vacant lands
 - Lands with comparable available sales

OPEN RANGE - IRRIGATED CROP



AGRICULTURAL - DRY CROP





Types of Appraisal Development and Reporting



Site Specific (Single Property) Appraisals

- Site specific appraisals may be used on land tracts that may be difficult to value simultaneously with mass appraisal-amenable tracts without diminishing the efficiency and cost-effectiveness of the Program.

- Reasons for Site Specific Appraisals

Complexity

Commercial

Industrial

Limited Sales

Mixed Use

COMMERCIAL





URBAN RESIDENTIAL

Streamlining Appraisal Process



- AgWare
 - Sales DataLog software
 - Report writing with templates
- OASIS (Office of Appraisal Services Information System)
 - Appraisal Request log – integrate with TAAMS
 - Mass Appraisal Valuation System (MAVS)
 - Batch requests
 - Input- Mass Appraisal Model
 - Output- Valuation Reports for each tract
- Arc GIS
 - Mapping – integrate with TAAMS



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